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Please LDX to: Mr. Bill Martin (395-5607)
National Security Council (Western Europe)
Room 372A, Old EOB

FROM : Henry S. Rowen, Chairman/NIC
7E62 Hqs. CIA

Bill --

I am sending you the attached -- per our conversation today.

Harry Rowen

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Global Implications May Stem From Big New US Oil Find

It is already apparent that the US West Coast, the only part of the huge American market with oil production surplus to its needs, suddenly has the promise of a lot more oil just offshore California. International implications of that could be far-reaching for the industry and Opec, even though it may be months before full significance of the "giant" new Point Arguello field becomes clear. And it will take years to determine potential of the surrounding Santa Maria Basin upon which attention is now being focused. Just how big Point Arguello will be isn't known yet. So far Chevron and Phillips, which have large stakes in the find, are claiming only the minimum 100-million barrels necessary to qualify as a US domestic "giant." But they're at the same time suggesting just their own shares of eventual output in the area could exceed a combined 250,000 b/d, and others (notably Texaco) could be involved for at least another 100,000 b/d. Even that may prove conservative, as the productive horizon of more than 1,000 ft rivals even that of Alaska's supergiant Prudhoe Bay.

Repercussions of a growing oil surplus on the US West Coast could impact on many parts of the world oil scene. Here are some to watch:

- A major boost to already steadily rising California oil production seems certain to back out of that market still more Alaskan oil, forcing North Slope producers to seek outlets on the US Gulf and East coasts. That could weaken international spot crude oil prices through a "domino effect" of Alaskan prices

LPG production, but export potential is still only 44% utilized. The Ruwais system, on stream since Aug. 1981, is fed from onshore fields producing Murban crude with capacity of some 90,000 b/d. The Das Island plant, fed from offshore fields, has potential for 30,000 b/d.

Meanwhile, Kuwait's LPG output is perhaps only 30,000 b/d, or less than a quarter of nameplate capacity. Qatar is exporting about 20,000 b/d and Dubai 10,000 b/d, according to Mitchell's guidelines.

Among non-Gulf producers, Algeria's new 125,000 b/d export facilities at Bethioua port will help to break the link between crude and LPG supply, since Algerian LPG principally comes from non-associated gas fields. But most other Opec sources still tend to be associated directly with crude output. Libya produces some 10,000 b/d of associated LPG, Mitchell says, while of remaining Opec producers, only Indonesia ships significant quantities (about 10,000 b/d).